

## Message Text

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47

ACTION EUR-25

INFO OCT-01 ISO-00 COME-00 AID-20 CIAE-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 STR-08 DRC-01 AS-01

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PASS COMMERCE FOR BEWT/LOTARSKI

E.O. 11652: N/A

TAGS: ETRD, BEXP, PL

SUBJECT: BUSINESS FACILITIES

1. SUMMARY: THE AMBASSADOR BRIEFED REPRESENTATIVES OF US BUSINESSES WITH OFFICES IN POLAND ON THE RESULTS OF THE FOURTH SESSION OF THE JOINT TRADE COMMISSION IN A MEETING HELD SEPTEMBER 23 AT THE TRADE DEVELOPMENT CENTER. THE MEETING, ATTENDED BY MANAGERS OF THE WARSAW OFFICE OF TEN US COMPANIES, PROVIDED AN OCCASION FOR THE BUSINESSMEN TO AIR THEIR VIEWS ON BUSINESS-FACILITIES QUESTIONS. COMPLAINTS OF HIGH COSTS PREDOMINATED. WE RECOMMEND THAT OUR CONCERN ABOUT LACK OF REAL PROGRESS IN THIS AREA BE EXPRESSED AT A HIGH LEVEL DURING THE GIEREK VISIT. END SUMMARY.

2. AS REPORTED EARLIER, THE HIGH COST OF OPERATING AN OFFICE IN POLAND IS A PRIME CONCERN OF THE AMERICAN BUSINESS COMMUNITY HERE. WE LEARNED THAT THE EXCHANGE RATE AT WHICH ACCREDITED OFFICES MAY PURCHASE ZLOTYS IS NOT, AS WE HAD THOUGHT, 19.92  
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ZLOTYS TO THE DOLLAR, BUT RATHER 19.86 ZLOTYS TO THE DOLLAR.

THE 19.92 RATE IS THE AVERAGE OF THE "BUY" RATE (19.86 AND THE "SELL" RATE (19.98); DOLLARS ARE BOUGHT AT 19.86. WE WERE ALSO TOLD THAT THE NEW FOREIGN TRADE CENTER HAS ELIMINATED RENTALS AT \$12.50 PER SQUARE METER AND IS NOW INSISTING THAT ALL TENANTS PAY \$15.00 PER SQUARE METER FOR FURNISHED QUARTERS. THE MANAGEMENT IS WILLING TO TAKE OUT THE FURNITURE IF REQUESTED BUT NEVERTHELESS WILL CHARGE THE HIGHER RATE. THE MINIMUM SPACE AVAILABLE FOR RENTAL IS 130 SQUARE METERS (NOT 110 AS WE ERRONEOUSLY REPORTED EARLIER) BRINGING THE MINIMUM TOTAL ANNUAL RENT TO \$23,400. THE MONSANTO REPRESENTATIVE, NOW LOCATED IN THE FORUM HOTEL, HAS BEEN TOLD THAT ALL OFFICES WILL BE COMPELLED TO LOCATE IN THE FOREIGN TRADE CENTER UNLESS THE BUILDING IS FILLED.

3. THE DOW REPRESENTATIVE COMPLAINED THAT HIS COMPANY HAD BEEN ASSESSED A LICENSE-RENEWAL FEE OF 10,000 ZLOTYS IN 1974, WHILE OTHER COMPANIES HAD BEEN CHARGED ONLY 5,000 ZLOTYS. THE DOW REPRESENTATIVE ARGUED THAT SINCE DOW, AS A COMMERCIAL OFFICE, PAYS INCOME TAX IN POLAND, ITS LICENSE FEE SHOULD BE EQUAL TO OR LOWER THAN THAT APPLIED TO OTHER OFFICES.

4. SEVERAL COMPANIES COMPLAINED ABOUT APPARENT DISCRIMINATION IN ENTITLEMENT TO SELL GOODS AND SERVICES FOR ZLOTYS. ALTHOUGH NO US COMPANY HAS BEEN GRANTED PERMISSION TO MAKE ZLOTY SALES, SOME BUSINESSMEN STATED THAT OTHER WESTERN FIRMS, AMONG THEM THE BRITISH ICL, HAVE MADE SIZABLE SALES FOR POLISH CURRENCY, WHICH IS THEN APPLIED TO LOCAL COSTS. HEWLETT-PACKARD STRESSED ITS INTEREST IN CONCLUDING A SERVICE CONTRACT FOR ZLOTYS.

5. COMPANIES ENGAGED IN CONSTRUCTION PROJECTS WERE PLEASED TO LEARN OF OUR REQUEST FOR INFORMATION ON BUSINESS PRACTICES AND CITED THEIR DIFFICULTIES IN OBTAINING INFORMATION ON AVAILABILITY OF DIFFERENT KINDS OF LABOR AND ON WAGE RATES. STRONG COMPLAINTS WERE REGISTERED ABOUT RAILWAY DEMURRAGE CHARGES, WHICH AMOUNT TO 300 ZLOTYS PER CAR PER HOURS, AND THE EPSTEIN REPRESENTATIVE NOTED THAT HIS COMPANY HAD BEEN INFORMED AT TEN P.M. ON A WEEKEND THAT IT HAD EIGHT HOURS TO UNLOAD FIFTEEN CARLOADS REQUIRING SPECIAL HANDLING EQUIPMENT.

6. THE COMPANIES CONCERNED HAVE REGISTERED THEIR COMPLAINTS LIMITED OFFICIAL USE

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WITH THEIR POLISH CONTACTS IN INDUSTRY, IN THE FTO'S, AND IN THE MINISTRY OF FOREIGN TRADE.

7. WE ARE SOMEWHAT DISTRESSED THAT EIGHTEEN MONTHS AFTER REACHING BASIC AGREEMENT ON BUSINESS FACILITIES, SOME PORTIONS OF THE US-POLISH AGREEMENT, SUCH AS THAT CONCERNING SALES FOR ZLOTYS, HAVE NOT BEEN IMPLEMENTED. WE WOULD BE INTERESTED IN LEARNING WHETHER THE POLISH COMMERCIAL OFFICES IN THE

UNITED STATES, INCLUDING TOOLMEX (MASSACHUSETTS), UNITRONEX (CHICAGO), AND MELEX (RALEIGH, N.C.), AS WELL AS CEPELIA, ORBIS, AND LOT, HAVE COMPLAINED OF DIFFICULTIES COMPARABLE TO THOSE FACED BY US BUSINESSES HERE.

8. ACTION RECOMMENDED: ALTHOUGH THE EMBASSY WILL CONTINUE TO PURSUE THESE ISSUES WITH THE MINISTRIES OF FOREIGN TRADE AND FINANCE, WE HAVE NO REASON TO EXPECT PROMPT OR FAVORABLE ACTION BY THE POLISH GOVERNMENT. WE THEREFORE RECOMMEND THAT DURING THE GIEREK VISIT, AN OCCASION BE FOUND TO EXPRESS OUR CONCERN AT AN APPROPRIATELY HIGH LEVEL. WE SHOULD STATE THAT THE LACK OF PROGRESS IN THE AREA OF BUSINESS FACILITIES, AND IN PARTICULAR THE HIGH COST OF OPERATING AN OFFICE IN POLAND, DETERS AMERICAN COMPANIES FROM EXPANDING THEIR ACTIVITIES IN POLAND AND INHIBITS THE GROWTH OF US-POLISH TRADE. IF POLAND WISHES TO DEVELOP LONG-TERM, COMPLEX RELATIONSHIPS WITH AMERICAN COMPANIES, IT MUST ENCOURAGE THE ESTABLISHMENT OF AMERICAN BRANCH OFFICES IN POLAND; GOUGING AMERICAN FIRMS ON RENTS AND EXCHANGE RATES WORKS AGAINST OUR MUTUAL INTEREST IN THE DEVELOPMENT OF STABLE AND NORMAL BUSINESS RELATIONS.

DAVIES

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